

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Montana Land & Exploration, Inc.
2100, 101 6th Avenue SW
Calgary, AB T2P 3P4
Canada

Township 30 North, Range 23 East
Section 1: Lots 3, 4, S½NW¼ (NW¼)
Section 2: Lots 1, 2, S½NE¼ (NE¼)
319.32 Acres

Township 31 North, Range 23 East
Section 35: SE¼
Section 36: SW¼
320.00 Acres
Blaine County

State Tract
Section 36: SW¼
160.00 Acres
Common Schools 100%

Montana Land & Exploration, Inc. has filed a request with the Department for the approval of a federal communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Stephens White Bear 13-36 well, which is an Eagle Sand formation gas well, was drilled in the SW¼SW¼ of Section 36. This permanent spacing unit has a total of 639.32 acres. The Department has mineral ownership of 160.00 of the 639.32 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalties from this well. The communitization agreement shall include all gas produced from the Eagle Formation within the communitized area.

The Department's tract comprises 25.03% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 4.17% of all gas production (16.67% royalty rate x 25.03% tract participation).

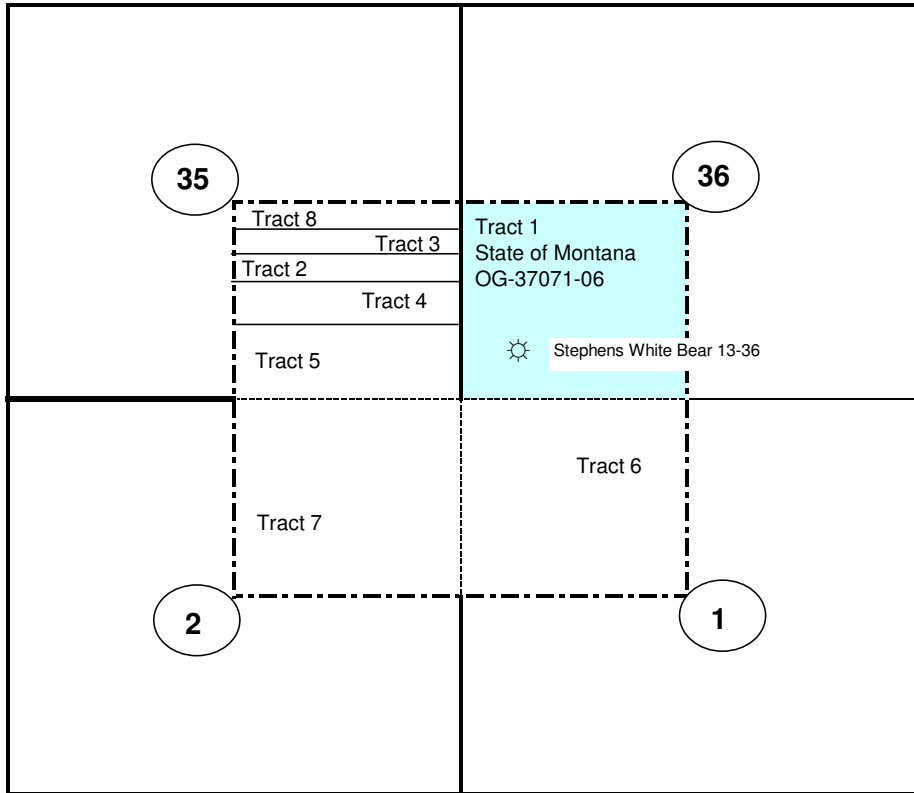
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 30 North Range 23 East

Section 1: Lots 3&4, S1/2NW1/4 (NW1/4) & Section 2: Lots 1&2, S1/2NE1/4 (NE1/4)

Township 31 North Range 23 East

Section 35: SE1/4 & Section 36: SW1/4



Recapitulation

Tract No.	Type	Acres	Tract		Owners	
			Participation	Royalty %	Interest Decimal	
1	State of Montana - OG-37071-06	160.00	25.03%	16.67%	4.171933%	
2	Heirs and Devisees of Olive Bennet Wind Chief	20.00	3.13%	16.67%	0.521492%	
3	Heirs and Devisees of Olive Bennett Wind Chief	20.00	3.13%	16.67%	0.521492%	
4	Heirs and Devisees of Wind Chief	40.00	6.26%	16.67%	1.042983%	
5	Heirs and Devisees of Marie T. P. Black Bird	60.00	9.38%	16.67%	1.564475%	
6	Heirs and Devisees of McConnell	159.68	24.98%	17.00%	4.246011%	
7	Heirs and Devisees of Mountain	159.64	24.97%	16.67%	4.162546%	
8	Heirs and Devisees of Christian Wind Chief	20.00	3.13%	16.67%	0.521492%	
Totals		639.32	100.00%			



Border of Communitized Area

* Montana Land & Exploration, Inc. is the Operator of the Communitized Area